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Trust Service and The War

AN ADDRESS

by Francis H. Sisson, Vice-President of the Guaranty Trust Company of New York, Sept. 24, 1918, before the Trust Company Section of the American Bankers' Association in convention at Chicago, Ill.

WHEN the fiscal history of this greatest of all wars is written one of its most illuminating and important chapters will chronicle the invaluable services rendered by the trust companies of the United States. That record will afford most convincing proof of the peculiar adaptability of the trust companies, as well as the unique and indispensable place they occupy in American finance and economics. It will reveal in more striking relief than ever before the great functions of these institutions, their sound principles, efficient management and far-reaching services. That account, too, will be one of a high sense of patriotic duty, of unselfish and unstinted and unceasing activity for our country, our Allies and world democracy.

Financiers and financial institutions are performing as essential war work as are fighters, factories and shipyards. Their part in the splendidly successful Liberty Loans, sufficiently attests the validity of that claim. But there are many other fields of endeavor, less dramatic but none the less vital, in which the bankers of this country are doing their allotted share, and more, to win the war. And in the vanguard all along the fiscal firing line are the trust companies, conforming enthusiastically to the spirit and the duty of the hour, putting every available facility and resource at the disposal of the United States Government.

The Men in the Service

The service flags—many of them sprinkled with stars of gold—which proudly float from practically every trust company in the land bear ample evidence of the fact that not only the dollars but also thousands of the men and women of these companies are enlisted under their country's flag. The spirit which has actuated the officers and employes in the government's service was manifested by their eagerness to volunteer, by the large number of enrollments in officers' training camps and by their desire to be among the first to fight. One trust company alone has given 450, or nearly one-fourth of the total number of its employes,to the various branches of the country's service. Scores of other trust companies have done equally as well, and many more will do so.

It is also a source of pride to trust companies that the Federal Government is availing itself so extensively of the personal services of their officers and employes in the essential tasks of war finance, in large administrative capacities, in the solution of taxation problems, in the conservation of credits, in the control of foreign exchange, in the custody of alien enemy property, in investigations, and in many other fields equally important.

There is time to mention only a few of the hundreds of names which are inscribed upon this honor roll, but they will suffice to indicate the scope and value of such services.

Ralph Stone, President of the Detroit Trust Company, was Director of the Bureau of Trusts of the Alien Property Custodian's Office; Frederick J. Horne, Vice-President of the New York Trust Company, succeeded Mr. Stone when the latter resigned the directorship; J. Lionberger Davis, Vice-President of the St. Louis Union Trust Company, also is prominently connected with the Alien Property Custodian's office; John S. Drum, President of the Savings Union Bank & Trust Company of San Francisco, is a member of the Capital Issues Committee; Lewis B. Franklin, who resigned as Vice-President of the Guaranty Trust Company of New York, is at the head of the very important War Loan Division of the Treasury Department; Frederick I. Kent, who was a Vice-President of the Bankers' Trust Company of New York, is head of the Division of Foreign Exchange of the Federal Reserve Board, which supervises foreign exchange activities and regulates gold exports; Bethune W. Jones, Secretary of the Bankers' Trust Company, is Executive Secretary of the War Credits Board; Festus J. Wade, President of the

Mercantile Trust Company of St. Louis, is assisting Director General McAdoo in connection with the financing and purchasing division of the Railroad Administration; F. H. Goff, President of the Cleveland Trust Company, and Henry C. Flower, President of the Fidelity Trust Company of Kansas City, are members of the Advisory Council of the Capital Issues Committee, and H. J. Cook, Treasurer of the Equitable Trust Company of New York, assisted in the adjustment and administration of the Government's huge financial affairs in London and Paris.

Many others are serving as State directors of War Savings campaigns, as members of Liberty Loan committees and as members of State sub-committees appointed by the Capital Issues Committee.

The Liberty Loans

We are about to engage in the most prodigious financial feat in the history of the world—the raising of $6,000,000,000 within three weeks by means of the Fourth Liberty Loan. There is no need to dwell upon the titanic nature of this task, nor to more than recall to mind the three previous Loans. The significance of these historical events is such that only posterity, with the perspective of years, may correctly appraise. But by the immediate manifestation of our tremendous strength which they provide, almost as much as by the material aid they afford, these Loans are of incalculable value to world democracy.

And the trust companies have not only put all their facilities at the disposal of the Government in the Liberty Loan drives, but have also done their part in the task of financing, of transferring credits and carrying individual as well as corporate loans in connection with the Liberty Loan payments. This has been a truly patriotic and democratic service, offering equal opportunities to those of large and small means. It has reached from coast to coast, from Canada to Mexico, from the congested districts of the great cities to the broad expanses of the fields and plains.

In all of these campaigns practically the entire organizations of the trust companies have worked whole-heartedly for the Loans' success. Their officers have served on the various Liberty Loan committees; as many members of their staff as have been needed for the actual selling of the bonds have been put at the disposal of the Government wherever and whenever they could be of the most use.

It is significant, too, that a trust company led the honor roll of financial institutions throughout the country in both the second and third Loans; that its subscription of $111,000,000 to the second Loan was the largest entered in any of the campaigns to date, and that for the third Loan it obtained the largest number of individual subscriptions—with a total of 63,000. But it is of far greater importance and satisfaction that every trust company has responded to the full measure of its resources and power in all of the campaigns.

One trust company instructed its representatives in fifteen commercial and financial centres of the United States to offer their services to the local Liberty Loan committees in each of these cities, for the entire campaigns. They were told to consider themselves as members of such committees, working for them alone, and to relinquish all duties to the trust company during the drives. Other trust companies did likewise, and the value of such service was reflected in the many letters of commendation and gratitude from the chairmen of the committees with which these representatives coöperated.

A trust company devised the weekly payment plan to accommodate small subscribers who were unable to take bonds on the Government's installment plan, and this has proved a potent factor in distributing the Loans so widely and successfully. During the first Loan the same trust company conceived and put into execution the partial payment plan, which was designed to aid employers to purchase bonds for their employes. Letters were sent by the trust company to 31,000 banks, describing the plan in detail and offering it to these banks for use in their respective localities. This method of payment was widely adopted.

Hundreds of thousands—probably millions—of Liberty Loan letters have been sent by all the trust companies to their clients. And the companies have supplemented this form of specific appeal with a general one through newspaper advertising, individually and in conjunction with other financial institutions. Thousands of booklets, treating of financial and economic subjects, have been extensively distributed in connection with the Loans to familiarize the public with war financing and the vast resources of the country.

These are only a few of the features of the great service which the trust companies have rendered in the Liberty Loan drives, but they demonstrate conclusively that the trust companies have performed a 100 per cent.-plus service in the campaigns, which have been almost as important as victories on the field of battle.

War Savings Campaigns and the Red Cross

A similar spirit of coöperation has actuated the trust companies in the War Savings Stamp cam-

paign. Thousands of trust company officials have accepted appointments as agents, have been named directors of their respective War Savings divisions, have organized War Savings clubs and have, in brief, promoted the sale of the stamps in every conceivable way.

The trust companies, as such, have likewise given generously to the American Red Cross, while their officers and employes, as individuals, have devoted their time and energy and money to that wonderful organization of mercy. We may well feel proud of the fact that a trust company man, Major Grayson M.-P. Murphy, senior Vice-President of the Guaranty Trust Company of New York, was head of the American Red Cross in Europe at one of the most critical periods of its operation, and after discharging his great responsibility with admirable success, resigned to enter active military service as a member of General Pershing's staff in France.

War-Time Service Abroad

The public generally does not realize, perhaps, that three of the largest trust companies in this country, the Equitable, the Farmers' Loan, and the Guaranty, are vitally helping the Government to maintain our Army in France, and that through their branch offices abroad is conducted a large part of the credit exchange and banking and financial operations essential to American military and naval activities in Europe. These trust companies are providing the agencies for the quick transmission and conversion of United States drafts and credits into French and English currencies. The Empire Trust Company, through its London branch, and other trust companies, through their foreign connections, also are rendering good service.

Three of them have been designated United States depositaries, and as such form the only direct connection in supplying the banking and exchange facilities needed by our Government "over there." The London and Paris branches of these trust companies serve as paying and receiving agents for United States paymasters and other American disbursing officers.

In addition to its principal branch offices in London and Paris, the Farmers' Loan and Trust Company has established special agencies at Bordeaux and two other places within the sectors occupied by American troops. The Guaranty Trust Company opened a new office at Tours this month, for the exclusive use of the men in the service. And in order to provide additional facilities for the financing of American forces abroad and to offer greater convenience to the men in all branches of the United States Government's overseas service, the Guaranty has opened another office in London. It is located near the American Embassy and other of our Government's offices in that vicinity. The Paris office of the Guaranty takes care of the Army quartermaster disbursements; the Equitable Trust Company's Paris office attends to the disbursements of the aviation and ordnance corps, while the Farmers' Loan and Trust Company looks after the remainder of such transactions, including the Navy.

This service has enabled the Government and our men in France to obtain uniform and advantageous rates of exchange by virtue of an arrangement effected by the trust companies with the Bank of France.

These war-time services are conducted on American lines, and it is the constant endeavor of every member of the trust companies' staffs to render direct and expeditious service, and to be as useful as possible to every citizen of the United States in civil or military life who may call upon them. These services include the collecting and transfer of funds, payments against letters of credit, the acceptance of deposits of money, the custody of securities, and all kinds of foreign banking and bond transactions.

The Revolving Credit

One of the most convenient forms of service offered by one of the large trust companies, that of the revolving credit, is available to every American in France—soldier, sailor or civilian—who has a checking account with a bank in the United States. It enables the person going to Europe to cash personal checks drawn on his home bank, up to an agreed limit, at the Paris office of the trust company, and at numerous correspondent offices throughout France. One may take his check book with him to France and conduct his financial affairs "over there" on a check book basis, just as he does at home. He may draw a check in dollars and receive the equivalent in francs, at the most favorable current rate of exchange.

Under this arrangement, if a soldier or sailor desires, he can allot his Government pay or other income to his home bank or trust company and draw against it by check. This eliminates possible risk of loss incident to carrying sums of money on his person.

Service Checks

Another invaluable service which the trust companies have put at the disposal of the men who have gone abroad in answer to the nation's summons is that of the "service check," which is a new kind of travelers' check peculiarly adapted to the use of those in our Army in France. They have been

evolved and perfected by three of the largest trust companies in the country.

These service checks are sold to the men of the American Expeditionary Force at the official rate of exchange agreed upon by the Governments of France and the United States, and no commission charge is made by the issuing banks. The checks come in denominations of 50, 100, and 200 francs. These checks can be purchased, singly or in books, at any of the concentration camps, where the three trust companies maintain representatives, who are at the service of the men day and night, and may be cashed at the London and French branches of the issuing trust companies, at the London office of the International Banking Corporation, and at the offices of the Bank of France and other financial institutions in England, France and Italy.

This plan has many advantages. It makes large withdrawals of currency from the United States unnecessary, and it protects our men from those who might charge high rates of exchange in converting currency or cashing checks abroad. The stamp tax imposed by France is paid by the trust companies, so that the checks may be cashed at their full face value.

This service has been placed at the disposal of the banks and trust companies throughout the country, whether or not they are customers of the three companies which devised it. Letters have been sent to thousands of financial institutions in all parts of the country, describing this new service. Each letter pointed out a definite way in which the banker receiving the communication could promote the service in his section. Booklets, explaining the service, also have been widely distributed to the banks. The three trust companies have paid all expenses and have advertised the service extensively throughout the country. The response has been exceedingly gratifying, and many financial institutions have sent in orders for the booklets, ranging in quantities from 50 to 3,000. Thus, one of the most valuable banking services has been quickly and effectively tendered by the trust companies to every soldier and sailor ordered to France.

Trust Facilities Freely Given

To those actively engaged in the war service of the country, and who are, therefore, obliged to give up direct supervision of their personal business interests, some of the trust companies are extending the use of their trust facilities without charge for the period of the war.

These services consist of safe-keeping accounts and voluntary trusts. Under the first, the trust companies assume responsibility for the physical safety and the routine care of securities, although the securities remain at all times under the owners' direct control. In the case of a voluntary trust, the owners of securities give the trust companies discretion in the management of those securities. The owners may reserve the right to resume control of their affairs at such times as they may be able again to give them their personal attention. Through a voluntary trust, one in war service can arrange immediately for the support and protection of those dependent upon him.

Custodians of Enemy Property

The trust companies are also playing an important part in the administration of the duties of the Alien Property Custodian. All money reported as belonging to enemy aliens must be deposited forthwith in the United States Treasury, but whenever other property is held by responsible banks and trust companies it is the policy of the Custodian to leave the custody thereof with such institutions.

The value of this service has been expressed by Mr. Davis, Managing Director of Alien Property, in the following words:

"If it were not for such coöperation the office of the Custodian would have to maintain an enormous organization of accountants and a storage space of great area. The splendid spirit of coöperation and service shown by the banks and trust companies have been a great assistance and encouragement to the men who are in the Custodian's office. These are times when the nation calls for sacrifice and the response has been splendid from every source, both corporate and individual."

Conserving the Country's Credit

It is highly significant that on April 10, 1917, four days after the United States declared war on Germany, the Executive Committee of the Trust Company Section of the American Bankers' Association, representing trust companies in all sections of the country, assembled in special session to consider the general conditions facing the country at that time, and with full recognition of its patriotic duty and privilege, unanimously adopted a resolution urging all trust companies to serve the country in every way in their power—especially in helping to mobilize the financial resources of the United States. The resolution set forth the committee's urgent recommendation that the trust companies immediately take steps to secure amendments, where necessary, to the State laws in order to permit the trust companies to carry their gold reserves on deposit with

the Federal Reserve Banks in their several districts, and that as soon as such action could legally be taken for the trust companies to offer to deposit these reserves with the Federal Reserve Banks.

Prompt action followed speedily upon the circulation of that resolution among all trust companies. Laws were amended in some States, and millions of dollars of gold poured into the Federal Reserve coffers to strengthen the financial and credit structure of the country in its hour of greatest need.

And then, when the barriers which had previously been considered insurmountable were swept aside by the amendments to the Federal Reserve Act adopted on June 21, 1917, the trust companies quickly began to add their vast power and resources to the Federal Reserve System.

By July 1, 1918, there were 216 trust companies members of the System, representing more than 40 per cent. of the total number of State institutions which were members on that date, and with combined resources in excess of $4,760,000,000, or more than 78 per cent. of the aggregate resources of all State institutions in the System. By August 1 of this year, there were 232 trust company members of the Federal Reserve System, with more than $4,814,000,000 resources.

It has been aptly stated that the importance and bearing of the relationship between trust companies and the Federal Reserve System upon the future of American finance will be vital and far-reaching.

Pre-War Service

I regret that there is not time enough to review the important activities of the trust companies as financing agents for the Allied Governments previous to our entrance into the war, but which was in many respects a vital war service. I deem it fitting, however, to mention a few of these activities, such, for instance, as assisting very materially in the floating of large international loans, including the Anglo-French; United Kingdom of Great Britain and Ireland; French Industrial Credit; British Treasury 90-day Bills; Dominion of Canada 5's; Italian Government 6's; Russian External Dollar Bonds; Metropolitan Water Board Bills of London; City of Paris, and other French Municipals, and American Foreign Securities Company notes by which it was arranged to lend $100,000,000 to the French Republic.

One trust company participated in all these loans and in the financing of approximately one hundred French industrial credits, which were among the earliest credits of a foreign government arranged for in the United States.

The trust companies also carried large credit deposits for industrial concerns trading with the Allies, and financed the moving of vast quantities of grain and cotton for export to Allied Governments and firms. The trust companies likewise assisted several large concerns engaged in the manufacture of arms and munitions for our own Government and the Allies, in connection with the necessary issuance of the securities of these corporations.

The Greatest of All Service

But the trust companies have done infinitely more for the country than that represented by any or all the services which I have cursorily reviewed here. They have generated an unseen but powerfully effective and extremely vital force for the achieving of victory by the United States and its Allies in this war. And that force is exerting itself on the firing line wherever American troops are going into action. It is a psychological and moral force of incalculable value; for it is relieving countless thousands of our soldiers and sailors of anxiety regarding the welfare of their dependents, as well as of concern about the proper care of business resources suddenly left behind at the imperative call of duty. This is the highest possible kind of trust service.

And, through easing the minds of those dependent on our soldiers, this service is being reflected in the tone of the letters which go over the sea to cheer our men in the trenches. Just how important this factor is from a military point of view was recently emphasized by General Pershing in a special message to the American people, urging them to write encouraging letters to their boys in France.

A soldier's fighting efficiency necessarily is dependent on his mental state, quite as much as on his physical condition. He is a far better soldier when he feels assured that the home fires are going to keep on burning whether or not God decrees that he shall return from the great adventure. And his morale is subtly transmitted to those about him, and thus to the whole army.

Through the exercise of their trust functions, the trust companies are affording that comfortable assurance to thousands of our men on the far-flung battle-line of freedom. Many trust companies have accepted a large number of trusts gratuitously, waiving all fees. In other cases, where the trusts warranted, the companies have accepted them at reduced fees. And every dollar of return which is possible from the investments and property of these trusts will be forthcoming for the beneficiaries.

The economic phase of this service, as regards the conservation of personal and real property, which

might otherwise be dissipated through mismanagement by relatives or other designated persons, is beyond calculation, both for the individuals directly concerned and for the country as a whole.

If, as has been declared, morale is winning the war, then the trust companies of the United States have just reason to feel that they are contributing directly and potently to the great cause. They may rightly feel, also, that they have fully appreciated their responsibilities, and that they are wholeheartedly performing their patriotic duty to the full extent of their opportunities, ability and resources. They may well be proud of the fact that they have come to be known not only as trust companies but also as *trusted* companies. And they may look forward to the future—whatever that future may bring forth—confident that they will be able to render still greater service to the Government and to the people of the United States; confident, too, that they will demonstrate that the trust which has been reposed in them will be merited and that, true to their ideals, they will help speed the dawn of a brighter day.